

City Service AB

Consolidated and parent company's interim financial
statements for the twelve months of 2012
(unaudited)

Statements of financial position

	Group		Company	
	As of 31 December 2012	As of 31 December 2011	As of 31 December 2012	As of 31 December 2011
Assets				
Non-current assets				
Goodwill	44,760	69,072	-	-
Other intangible assets	76,973	78,692	3	1,186
Property, plant and equipment	87,985	52,751	419	4,044
Investment property	370	382	-	-
Investments into subsidiaries	-	-	156,911	127,913
Investments into associates	588	578	-	-
Non-current financial assets receivables and prepayments	2,218	10,960	595	6,733
Deferred income tax asset	10,026	9,243	294	736
Total non-current assets	222,920	221,678	158,222	140,612
Current assets				
Inventories	5,537	4,040	1	701
Prepayments	12,821	8,911	174	252
Trade receivables	120,598	76,927	29,158	20,558
Receivables from related parties (including loans granted)	950	1,309	55,084	35,284
Other receivables and current assets	9,891	7,116	2,318	4,196
Cash and cash equivalents	31,513	25,050	129	216
Total current assets	181,310	123,353	86,864	61,207
Total assets	404,230	345,031	245,086	201,819



Statements of financial position (cont'd)

	Group		Company	
	As of 31 December 2012	As of 31 December 2011	As of 31 December 2012	As of 31 December 2011
Equity and liabilities				
Equity attributable to equity holders of the Company				
Share capital	31,610	31,610	31,610	31,610
Reserves and share premium	83,002	83,002	82,991	82,991
Foreign currency translation	(2,179)	(1,824)	-	-
Retained earnings (deficit)	70,524	63,451	27,772	33,087
	182,957	176,239	142,373	147,688
Non-controlling interests	1,968	2,231	-	-
Total equity	184,925	178,470	142,373	147,688
Liabilities				
Non-current liabilities				
Non-current borrowings	29,716	18,497	29,716	18,417
Financial lease obligations	6,255	6,207	253	1,596
Deferred income tax liabilities	13,301	15,306	-	-
Non-current payables	1,612	6,651	290	503
Total non-current liabilities	50,884	46,661	30,259	20,516
Current liabilities				
Current portion of non-current borrowings	9,498	8,103	9,418	7,116
Current portion of financial lease obligations	2,749	3,859	62	569
Short term loans	18,914	856	34,950	3,148
Trade payables	75,807	59,035	13,189	4,334
Payables to related parties (including loans received)	14,655	13,212	11,928	13,559
Advances received	18,348	14,513	1,691	1,490
Other current liabilities	28,450	20,322	1,217	3,399
Total current liabilities	168,421	119,900	72,455	33,615
Total equity and liabilities	404,230	345,031	245,087	201,819



Statements of comprehensive income (for the period 1 January – 31 December)

	Group		Company	
	2012	2011	2012	2011
Sales	536,462	547,843	53,068	115,556
Cost of sales	(423,587)	(434,595)	(42,352)	(84,447)
Gross profit (loss)	112,875	113,248	10,716	31,109
General and administrative expenses	(86,244)	(75,883)	(10,732)	(19,879)
Other operating income (expenses)	1,979	(2,995)	1,829	86
Profit (loss) from operations	28,610	34,370	1,813	11,316
Income from financial and investment activities, net	(8,492)	(430)	617	2,221
Profit (loss) before tax	20,118	33,940	2,430	13,537
Income tax	(4,787)	(4,453)	(475)	(1,434)
Net profit (loss)	15,331	29,487	1,955	12,103
Other comprehensive income				
Exchange differences on translation of foreign operations	(355)	(112)	-	-
Total comprehensive income for the year, net of tax	14,976	29,375	1,955	12,103
Attributable to:				
The shareholders of the Company	14,343	28,725	1,955	12,103
Non-controlling interests	988	762	-	-
	15,331	29,487	1,955	12,103
Total comprehensive income attributable to:				
The shareholders of the Company	13,988	28,613	1,955	12,103
Non-controlling interests	988	762	-	-
	14,976	29,375	1,955	12,103
Basic and diluted earnings per share (LTL)	0.45	0.91		



Statements of comprehensive income (for the period 1 October – 31 December)

	Group		Company	
	2012 Q4	2011 Q4	2012 Q4	2011 Q4
Sales	147,448	162,617	15,767	35,833
Cost of sales	(119,754)	(129,686)	(12,830)	(25,404)
Gross profit (loss)	27,694	32,931	2,937	10,429
General and administrative expenses	(23,691)	(20,822)	(2,917)	(5,721)
Other operating income (expenses)	2,717	(1,113)	69	17
Profit (loss) from operations	6,720	10,996	89	4,725
Income from financial and investment activities, net	(766)	294	1,046	50
Profit (loss) before tax	5,954	11,290	1,135	4,775
Income tax	(2,539)	805	(24)	(1,012)
Net profit (loss)	3,415	12,095	1,111	3,763



Statements of changes in equity

<u>Group</u>	Share capital	Share premium	Legal reserve	Foreign currency translation	Other reserves	Retained earnings (deficit)	Total	Non-controlling interest	Total
Balance as of 1 January 2011	31,610	73,830	2,455	(1,712)	6,000	43,346	155,529	1,396	156,925
Net profit for the year	-	-	-	-	-	28,725	28,725	762	29,487
Income (expenses) for the year recognised directly in equity	-	-	-	(112)	-	-	(112)	-	(112)
Total income (expense) for the year	-	-	-	(112)	-	28,725	28,613	762	29,375
Transfer to legal reserve	-	-	717	-	-	(717)	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-	-	73	73
Dividends declared	-	-	-	-	-	(7,903)	(7,903)	-	(7,903)
Balance as of 1 January 2012	31,610	73,830	3,172	(1,824)	6,000	63,451	176,239	2,231	178,470
Net profit for the year	-	-	-	-	-	14,343	14,343	988	15,331
Income (expenses) for the year recognised directly in equity	-	-	-	(355)	-	-	(355)	-	(355)
Total income (expense) for the year	-	-	-	(355)	-	14,343	13,988	988	14,976
Disposal of subsidiary	-	-	-	-	-	-	-	(1,251)	(1,251)
Dividends declared	-	-	-	-	-	(7,270)	(7,270)	-	(7,270)
Balance as of 31 December 2012	31,610	73,830	3,172	(2,179)	6,000	70,524	182,957	1,968	184,925

<u>Company</u>	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings (deficit)	Total
Balance as of 1 January 2011	31,610	73,830	2,444	6,000	29,604	143,488
Net profit for the year	-	-	-	-	12,103	12,103
Transfer to legal reserve	-	-	717	-	(717)	-
Dividends declared	-	-	-	-	(7,903)	(7,903)
Balance as of 1 January 2012	31,610	73,830	3,161	6,000	33,087	147,688
Net profit for the year	-	-	-	-	1,955	1,955
Dividends declared	-	-	-	-	(7,270)	(7,270)
Balance as of 31 December 2012	31,610	73,830	3,161	6,000	27,772	142,373



Statements of cash flows

	Group		Company	
	2012	2011	2012	2011
Cash flows from (to) operating activities				
Net profit	15,331	29,487	1,955	12,103
Adjustments for non-cash items:				
Income tax expenses	4,787	4,453	475	1,434
Depreciation and amortization	13,159	12,699	265	1,529
Impairment and discounting of accounts receivable	12,063	5,946	(841)	641
Gain from bargain purchase	(23,114)	(1,156)	-	-
Loss (gain) on disposal of property, plant and equipment	(330)	(636)	(13)	(3)
Dividend (income)	-	-	(1,503)	(2,957)
Loss from sale of investments	7,594	-	-	-
Impairment of goodwill	19,500	-	-	-
Impairment of investments into subsidiaries	-	-	-	789
Interest (income)	(331)	(717)	(936)	(1,757)
Interest expenses	1,476	1,724	1,780	1,664
Reversal of discounting effect on long-term trade payables	686	-	-	-
Other financial activity result, net	(817)	-	-	-
Share of net profit of associate	(10)	(15)	-	-
	49,994	51,785	1,182	13,443
Changes in working capital:				
(Increase) decrease in inventories	(107)	(506)	700	(172)
(Increase) decrease in receivables and other current assets	(51,171)	25,269	(1,245)	24,971
(Increase) decrease in prepayments	(5,386)	2,596	78	(9)
Increase (decrease) in trade payables and payables to related parties	21,683	(23,206)	7,011	(4,759)
Income tax (paid)	(6,061)	(4,318)	442	(2,650)
Increase (decrease) in advances received and other current liabilities	9,274	(177)	(4,090)	(4,953)
Net cash flows from (to) operating activities	18,226	51,443	4,078	25,871
Cash flows (to) investing activities				
(Acquisition) of non-current assets (except investments)	(4,197)	(7,951)	(197)	(843)
Proceeds from sale of non-current assets	1,370	636	4	37
(Acquisition) of investments in subsidiaries and associates (net of cash acquired in the Group)	(25,590)	(7,453)	(21)	(707)
Disposal of investments in subsidiaries	4,187	-	-	-
Interest received	55	55	78	76
Prepayment for investments	(4,237)	-	-	-
Dividends received	-	-	1,503	2,957
Loans granted	-	(249)	(42,144)	(3,656)
Net cash flows from (to) investing activities	(28,412)	(14,962)	(40,777)	(2,136)
Cash flows (to) from financing activities				
Dividends (paid)	(7,270)	(7,903)	(7,270)	(7,903)
Proceeds from loans	38,489	4,861	54,125	4,861
(Repayment) of financial lease liabilities	(5,148)	(5,343)	(1,850)	(736)
Loans (repaid)	(8,103)	(18,817)	(7,116)	(18,386)
Interest (paid)	(1,319)	(1,664)	(1,277)	(1,651)
Net cash flows from (to) financial activities	16,649	(28,866)	36,612	(23,815)
Net increase (decrease) increase in cash and cash equivalents	6,463	7,615	(87)	(80)
Cash and cash equivalents at the beginning of the period	25,050	17,435	216	296
Cash and cash equivalents at the end of the period	31,513	25,050	129	216



Notes to the financial statements

1. General Information

AB City Service (hereinafter – “the Company”) is a public limited liability company registered in the Republic of Lithuania on 28 January 1997.

The Company controls the largest group of integrated utility service companies in Central and Eastern Europe. The City Service group is the market leader in facility management and integrated utility services in the Baltic States. It provides services in the following cities and regions: in the municipalities of Vilnius, Kaunas, Klaipėda, Šiauliai, Alytus, Utena, Marijampolė, Palanga, Trakai, Širvintos, Radviliškis, Neringa, Varėna, Kazlų Rūda, Vilkaviškis, Šilutė and Pagėgiai in Lithuania; in Poland; in Riga and separate regions in Latvia; in St. Petersburg and Stavropol in the Russian Federation.

1.1. Activities

The Company provides facility management; maintenance and repair of engineering systems; management and renovation of energy resources; technical and energy audit of buildings; waste management and eco-business; maintenance of elevators; maintenance and cleaning of territories.

The most important buildings segment administered by the City Service group: are residential apartment buildings; commercial buildings; public buildings; industrial buildings. The total area of buildings under the management of the Group is 24.7 million sq. m. at present.

1.2. Share Capital of the Company

The share capital of the Company is LTL 31,610 thousand as of 31 December 2012. It is divided into 31,610 thousand ordinary shares with the nominal value of LTL 1 each. All shares of the Company are paid up.

The Company does not have any other classes of shares than ordinary shares mentioned above, there are no any restrictions of share rights or special control rights for the shareholders settled in the Articles of Association of the Company. No shares of the Company are held by itself or its subsidiaries. No convertible securities, exchangeable securities or securities with warrants are outstanding; likewise, there are no outstanding acquisition rights or undertakings to increase share capital.

On 31 December 2012 all 31,610 thousand ordinary shares of the Company are included into the Official List of NASDAQ OMX Vilnius Stock Exchange (ISIN Code of the shares is [LT0000127375](#)). Trading Code of the shares on NASDAQ OMX Vilnius Stock Exchange is CTS1L.

1.3. Shareholders of the Company

On 31 December 2012 the total number of shareholders of the Company was 1954.

Company's shares distribution among shareholders as of 31 December 2012 was the following:

	Number of shares held	Owned percentage of the share capital and votes, %
ICOR UAB	20,205,595	63.92%
East Capital Asset Management, AB	3,167,722	10.02%
Genesis Asset Managers, LLP	1,644,183	5.20%
Other private and institutional shareholders	6,592,500	20.86%
Total	31,610,000	100%



1.4. City Service Group

On 31 December 2012 the City Service AB group consists of City Service AB and the following subsidiaries (hereinafter referred to as „the Group“):

Company	Country	Share of the stock held by the Group as of 31 December 2012	Share of the stock held by the Group as of 31 December 2011	Main activities
UAB Antakalnio būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Aukštaitijos būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Baltijos būsto priežiūra	Lithuania	100%	100%	Administration of dwelling-houses
UAB Baltijos liftai	Lithuania	100%	100%	Elevator installing & tech. support
UAB Baltijos NT valdymas	Lithuania	100%	-	Real estate management
UAB Baltijos pastatų valdymas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Būsto administravimo agentūra	Lithuania	100%	100%	Administration of dwelling-houses
UAB Dainavos būstas	Lithuania	100%	-	Dormant
UAB Danės būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Ekonomus	Lithuania	100%	100%	Administration of dwelling-houses
UAB Ecoservice	Lithuania	100%	100%	Collection and removal of waste
UAB Justiniškių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Jūros būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Kauno centro būstas	Lithuania	100%	-	Dormant
UAB Karoliniškių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Komunalinių įmonių kombinatas	Lithuania	99.71%	99.71%	Collection and removal of waste
UAB Lazdynų būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Mano būstas LT	Lithuania	100%	100%	Commercial real estate management and building maintenance
UAB Mano sauga	Lithuania	51%	-	Security services
UAB Namų priežiūros centras	Lithuania	100%	100%	Administration of dwelling-houses
UAB Naujamiesčio būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Nemuno būsto priežiūra	Lithuania	100%	-	Dormant
UAB Pagėgių savivaldybės komunalinis ūkis	Lithuania	66%	66%	Dormant
UAB Pašilaičių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Pempininkų būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Radviliškio būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Sinsta	Lithuania	100%	-	Dormant
UAB Skolos LT	Lithuania	100%	100%	Debt collection services
UAB SKT Environmental Services Klaipėda	Lithuania	100%	-	Collection and removal of waste
UAB Specialus autotransportas	Lithuania	100%	100%	Collection and removal of waste
UAB Šiaulių būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Šiaulių liftas	Lithuania	100%	100%	Elevator installing & tech. support
UAB Šilutės būstas	Lithuania	99.84%	99.84%	Administration of dwelling-houses
UAB Tvar.com	Lithuania	100%	100%	Collection and removal of waste
UAB Vėtrungės būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Vilkpėdės būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Vingio būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Viršuliškių būstas	Lithuania	100%	100%	Administration of dwelling-houses



UAB Žaidas	Lithuania	99.33%	99.33%	Administration of dwelling-houses
UAB Žardės būstas	Lithuania	100%	100%	Administration of dwelling-houses
UAB Žirmūnų būstas	Lithuania	100%	-	Administration of dwelling-houses
SIA Riga City Service	Latvia	100%	100%	Facility management
City Service Poland“ Sp .z.o.o	Poland	100%	-	Dormant
INTERBUD MAX Sp. z.o.o	Poland, Krakow	100%	100%	Dormant
Zespół Zarządców Nieruchomości WAM Sp. z o.o.	Poland	100%	-	Administration of dwelling-houses
ТОВ Київ Сіті Сервіс	Ukraine	100%	100%	Administration of dwelling-houses
ОАО Сити Сервис / ОАО City service	Russia, St. Petersburg	100%	100%	Administration of dwelling-houses
ЗАО Сити Сервис / ZAO City service	Russia, St. Petersburg	100%	100%	Administration of dwelling-houses
ОАО Специализи-рованное ремонтно-наладочное управление	Russia, St. Petersburg	100%	100%	Construction and engineering
ООО Жилкомсервис № 3 Фрунзенского района	Russia, St. Petersburg	80%	80%	Administration of dwelling-houses
ООО «Чистый дом»	Russia, St. Petersburg	100%	100%	Maintenance and cleaning of territories
ООО «Управляющая компания -1»	Russia, Stavropol	76%	76%	Administration of dwelling-houses
ООО «ПРОМИНТЕР - управление проектами»	Russia, Stavropol	100%	100%	Administration of dwelling-houses
ООО «Управляющая компания -2»	Russia, Stavropol	76%	76%	Administration of dwelling-houses
ООО «Управляющая компания -3»	Russia, Stavropol	76%	76%	Administration of dwelling-houses
ООО «Управляющая компания -4»	Russia, Stavropol	76%	76%	Administration of dwelling-houses
ООО «Управляющая компания -5»	Russia, Stavropol	76%	76%	Administration of dwelling-houses
ООО «УК -5»	Russia, Stavropol	100%	100%	Administration of dwelling-houses
ООО «Управляющая компания -6» (legal entity code 2635085674)	Russia, Stavropol	76%	76%	Administration of dwelling-houses
ООО «Управляющая компания -6» (legal entity code 2635105070)	Russia, Stavropol	100%	100%	Administration of dwelling-houses
ООО «Жилищная Управляющая компания № 6»	Russia, Stavropol	100%	100%	Administration of dwelling-houses
ООО «Объединенная управляющая компания – 7»	Russia, Stavropol	100%	100%	Administration of dwelling-houses
ООО «Обслуживающая управляющая компания-7»	Russia, Stavropol	100%	100%	Administration of dwelling-houses
ООО «Управляющая компания – 8» (legal entity code 2635105218)	Russia, Stavropol	100%	100%	Administration of dwelling-houses
ООО «Управляющая компания – 10»	Russia, Stavropol	100%	100%	Administration of dwelling-houses

The Group's and the Company's investment in an associate as of 31 December 2012 included an investment in Marijampolės butų ūkis UAB (34% of the share capital).



1.5. Company's Board

As of 31 December 2012, the Board of the Company comprises of the following persons:

Name and surname	Position	Start of term	End of term
Andrius Janukonis	Board Chairman	October 6, 2009	October 6, 2013
Gintautas Jaugielavičius	Board Member	October 6, 2009	October 6, 2013
Darius Leščinskas	Board Member	October 6, 2009	October 6, 2013
Žilvinas Lapinskas	Board Member	April 30, 2010	October 6, 2013

They do not control any shares of the Company.



Andrius Janukonis

Andrius Janukonis (born in 1971) is the Chairman of the Board of AB City Service (since 2009). He holds a Master's degree in Law. He works as a consultant for ICOR UAB and is the chairman of the board of the company (since 2004).

Gintautas Jaugielavičius

Gintautas Jaugielavičius (born in 1971) is a Member of the Board of AB City Service (since 2005). He holds a Bachelor's degree in Economics. At present, he works as a consultant for ICOR UAB and is a member of the board of the company (since 2004).

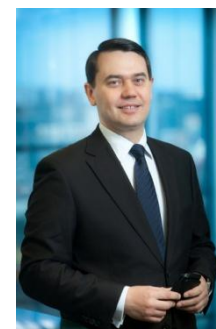


Darius Leščinskas

Darius Leščinskas (born in 1968) is a Member of the Board of AB City Service (since 2009). He holds a Master's degree in Law. At present, he works as a consultant for ICOR UAB and is a member of the board of the company (since 2004).

Žilvinas Lapinskas

Refer described below (note 1.6).



1.6. Company's Management

As of 31 December 2012 and as of date of submission of this report, the key managers of the Company and of the Group are as follows:

Name and surname	Position within the Company	Start of employment
Žilvinas Lapinskas	General Manager, the Board member	March 1999
Jonas Janukėnas	Financial and Administrative Director	May 2007
Vytautas Turonis	Executive Manager for Lithuania	May 2004
Tomas Augutavičius	Chairman of the Board of City Service group in Russia	June 2006
Edvinas Paulauskas	Commercial Director	February 2005

They do not control any shares of the Company.



Žilvinas Lapinskas

Žilvinas Lapinskas (born in 1976) is the General Manager of AB City Service (since 2004). He completed business administration studies. He started working in the Company in 1999 and worked as the Commercial Manager (1999 – 2002) and the Facilities Management Department Head (2002 – 2004).

At present, the main task of the General Manager is to head the Group and take charge of planning and coordination of important development projects in Russia, Poland, as well as other markets in Eastern and Western Europe.



Jonas Janukėnas

Jonas Janukėnas (born in 1976) is the Financial and Administrative Manager of AB City Service (since 2007). Since 2012, Mr. Janukėnas is also the Chairman of the Board at Mano būstas LT. He holds a Master's degree in Business Administration. Prior to coming to work at the Company, he worked as the Senior Auditor and Risk Management Consultant at the Vilnius division of Andersen (1998 – 2001) and the Financial Manager of UAB Litesko (2001 – 2007).

The Finance and Administrative Manager Jonas Janukėnas is responsible for the management of financial resources of the Group and for supervision of the administrative staff, IT projects implementation and Lean 6 Sigma project.



Vytautas Turonis

Vytautas Turonis (born 1972 m.) is the General Manager at Mano būstas LT UAB and works as the Executive Manager for Lithuania at City Service AB. He holds a Bachelor's degree in International Business. Previously he worked as the Marketing Manager of UAB Specialus Autotransportas (2003 – 2004). He started to work in the Company as the Market Development Department Manager (2004 – 2008).

General Manager is responsible for the Group's activities throughout Lithuania.



1.6. Company's Management (cont'd)



Tomas Augutavičius

Tomas Augutavičius (born 1973 m.) is the Chairman of the Board of City Service group in Russia (since 2009). He holds a Bachelor degree in technology. He started working in the Company as Head of Kaunas Department (2006 - 2009).

The Chairman of the Board of City Service group in Russia Tomas Augutavičius is responsible for activities of companies operating in Russia.



Edvinas Paulauskas

Edvinas Paulauskas (born 1976) is the Executive Manager at Mano būstas LT UAB and Commercial Director at City Service AB. He holds a Bachelor's degree in Environment Engineering. Edvinas Paulauskas started working in the Company in 2005 and worked as the Project Manager (2005 - 2006) and Executive Manager (2006 - 2008).

Edvinas Paulauskas is responsible for the facility management projects of commercial and public establishments and for lift maintenance and renovation.

1.7. Activity and Segment Information

Information on main activity segments:

	2012				2011	
	Heating infrastructure renovation, extra works	Buildings' administration		Heating infrastructure renovation, extra works	Buildings' administration	
		Resale of utility services	Administration services		Resale of utility services	Administration services
Revenue: Company	-	-	53,068	6,748	-	108,808
Revenue: Group	-	171,063	365,399	6,748	189,980	351,115

Information on main geographical segments for the Group:

	2012		2011	
	Baltic states	CIS States	Baltic states	CIS States
Revenue	240,709	295,753	210,448	337,395
Net profit (loss)	18,827**	5,639*	24,051	5,436

* ООО «Жилкомсервис № 2 Невского района» disposal loss of LTL 7,367 thousand excluded.

** Does not include LTL 1,768 thousand of consulting and tax expenses related with acquisitions in Poland.



Main activity indicators for the Group:

	2012	2011	Change (%)
Area of multi-flat apartment buildings under administration (million square meters)	21.9	15.8	38.6%
Area of public. commercial building and a typical properties under administration (million square meters)	3.3	2.9	8.7%
Number of employees	3,959	3,455	15.3%
Sales for the period	536,462	547,843	(2.1%)
Sales (main activity)*	365,399	357,863	2.1%
Gross margin*	30.9%	31.6%	-2.4%
EBITDA margin*	11.4%	10.0%	14.6%
EBIT margin*	7.8%	6.9%	13.3%
Net margin*	4.2%	7.1%	(41.0%)
Number of shares (thousand)	31,610	31,610	0%
Return on equity	9.0%	17.6%	(49.0%)
Return on assets	4.1%	8.5%	(52.0%)
Financial Net Debt to equity**	4%	0.9%	379.5%

* Calculated by reducing sales for the resale of utility services.

** Interest bearing debt (net of cash balance) to Shareholders' equity.

2. Accounting Policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

3. Goodwill

	Group
Cost:	
Balance as of 1 January 2011	64,474
Additions	4,991
Exchange differences	(103)
Balance as of 31 December 2011	69,362
Additions	4,436
Disposals	(9,248)
Balance as of 31 December 2012	64,550
Impairment:	
Balance as of 1 January 2011	290
Impairment for the year	-
Balance as of 31 December 2011	290
Impairment for the year	19,500
Balance as of 31 December 2012	19,790
Net book value as of 31 December 2012	44,760
Net book value as of 31 December 2011	69,072



3. Goodwill (cont'd)

Investments and other changes during the twelve months of the year 2012

On 10-12 January 2012 the Company established three new subsidiaries – Nemuno būsto priežiūra UAB, Baltijos NT valdymas UAB and Neries būstas UAB (now Dainavos būstas UAB). Establishment of the companies is related to planned expansion in Lithuania. As a result, no goodwill has been accounted for.

On 27 March 2012 share capital of Saulės valda UAB (now Šiaulių būstas UAB) was increased by LTL 3.1 million by additional ordinary share issue of 3,100 thousand shares. The share capital was increased by netting off with the receivable from the subsidiary. At the date of issue of these financial statements the share capital of Šiaulių būstas UAB amounts to LTL 3,761,214.

In May the Company continued the process of brand unification in secondary companies. The names of the companies operating in Šiauliai and Radviliškis were changed. Saulės Valda, UAB and Radviliškio Komunalinės Paslaugos, UAB were changed to Šiaulių Būstas, UAB and Radviliškio Būstas, UAB respectively.

During the first half of the year 2012 the Company has transferred the commercial real estate management, maintenance activities and all the subsidiaries which manage residential facility in Lithuania and perform other activities related with the residential facility management, except for Lazdynų būstas UAB which shares are the object of the litigation, to the subsidiary of the Company City Service LT UAB (legal entity code 300883806 now – Mano būstas LT UAB) direct control. The transfer has been made by implementing the decision of the Board of the Company, adopted on 29 December 2011. The above mentioned internal transfer had no impact towards financial position of the Group.

On 3rd of July two newly established companies ANVO Baltic, UAB (now Kauno centro būstas, UAB) and ANV Capital, UAB (now Sinsta, UAB) have been acquired.

On 12th of July the Company's subsidiary ANV Capital, UAB has acquired 100 % shares of Mano būstas, UAB, legal entity code 124450551. The value of the contract is LTL 30 thousand. The acquired company after the process of reorganization has been incorporated to its sole shareholder company and at the date of submission of these financial statements is removed from the Register of Legal Entities.

On 31st of August the Company's subsidiary ООО Жилкомсервис № 2 Невского района, which operates in Russia, St. Petersburg has been sold. The value of the contract is RUB 54 million. Accounting loss on disposal amounted to LTL 7,367 thousand.

On 26th of September the Company has acquired 100 % shares of Žirmūnų būstas, UAB, legal entity code 121483222. The acquired company maintains services of administration of dwelling-houses in Vilnius city (Lithuania).

On 1st of October the 51 % of "Mano sauga", UAB, legal entity code 302628213, shares has been acquired. "Mano sauga", UAB provides security services in Lithuania.

On 22th of November the new subsidiary „City Service Poland“ Sp .z.o.o. was established. This decision is related to the expansion of Group's business activities in Poland.

On 17th of December the Company has acquired 100% shares of Zespół Zarządców Nieruchomości WAM Sp. z o.o. (ZZN further on). The value of the transaction was PLN 45 million, including related taxes. ZZN provides residential apartment building management services, also acts as producer and supplier of heat in Poland.

On 20th of December the Company's subsidiary Specialus autotransportas, UAB has acquired 100 % shares of SKT Environmental Services Klaipėda, UAB, legal entity code 110734883. SKT Environmental Services Klaipėda, UAB provides services of collection and removal of waste in Klaipėda region (Lithuania).



3. Goodwill (cont'd)

At the acquisition of these subsidiaries goodwill of LTL 4,436 thousand has been accounted for. The goodwill appears due to expected synergies, which are expected to be derived from vertical expansion of business.

Also a gain of LTL 23,114 thousand from a bargain purchase as well as goodwill impairment of LTL 19,500 thousand was recognised in the Group's statement of comprehensive income in 2012.

The differences between the amounts paid and the fair values of assets acquired and liabilities and contingent liabilities assumed for the acquisitions of 2012 were as follows:

	Žirmūnų būstas UAB	Mano sauga UAB	Zespół Zarządców Nieruchomości WAM Sp. z o.o.	SKT Environmental Services Klaipėda UAB
Date of acquisition, 2012	26 September	1 October	17 December	18 December
Fair value of acquired assets, liabilities and contingent liabilities attributable to the Group	5,694	(45)	60,907	3,227
Goodwill	4,236	45	(23,114)	155
Total purchase consideration	9,930	-	37,793	3,382
Cash acquired	3,232	4	15,544	88
Total purchase consideration, net of cash acquired	6,698	(4)	22,249	3,294



4. Other intangible assets

Movement of other intangible assets in 2012 and 2011 is presented below:

	<u>Group</u>	<u>Company</u>
Cost:		
Balance as of 1 January 2011	79,468	1,156
Additions arising from acquisitions of subsidiaries	6,353	-
Additions	634	221
Disposals	(161)	(2)
Retirements	(168)	(17)
Reclassifications	684	313
Balance as of 31 December 2011	<u>86,810</u>	<u>1,671</u>
Additions arising from acquisitions of subsidiaries	12,955	-
Additions	284	45
Disposals of subsidiaries	(12,472)	-
Disposals	(8)	(2)
Exchange differences	-	-
Retirements	(162)	-
Reclassifications	-	(1,699)
Balance as of 31 December 2012	<u>87,407</u>	<u>15</u>
Accumulated amortisation:		
Balance as of 1 January 2011	4,810	372
Charge for the year	3,334	130
Disposals	(1)	-
Retirements	(25)	(17)
Balance as of 31 December 2011	<u>8,118</u>	<u>485</u>
Charge for the year	3,381	18
Disposals	-	(1)
Disposals of subsidiaries	(987)	-
Retirements	(78)	-
Reclassifications	-	(490)
Balance as of 31 December 2012	<u>10,434</u>	<u>12</u>
Net book value as of 31 December 2012	<u>76,973</u>	<u>3</u>
Net book value as of 31 December 2011	<u>78,692</u>	<u>1,186</u>

The Group and the Company have not capitalised any internally generated intangible assets. Amortisation expenses of intangible assets are included within general and administrative expenses in the statement of comprehensive income.



5. Property, plant and equipment

Movement of property, plant and equipment in 2012 and 2011 is presented below:

Group	Buildings	Vehicles	Other property, plant and equipment	Construction in progress	Total
Cost:					
Balance as of 1 January 2011	23,621	21,240	10,978	1,567	57,406
Additions arising from acquisitions of subsidiaries	507	1,215	1,506	-	3,228
Additions	897	6,817	5,581	148	13,443
Disposals	(929)	(1,038)	(497)	-	(2,464)
Exchange differences	(1)	(83)	(70)	(6)	(160)
Retirements	-	(414)	(2,039)	(29)	(2,482)
Reclassifications	610	592	-	(1,632)	(430)
Balance as of 31 December 2011	24,705	28,329	15,459	48	68,541
Additions arising from acquisitions of subsidiaries	15,902	1,530	20,725	280	38,437
Additions	281	3,911	3,784	-	7,976
Disposals	-	(2,140)	(1,386)	-	(3,526)
Exchange differences	-	119	34	2	155
Retirements	-	(1,903)	(2,327)	(1)	(4,231)
Balance as of 31 December 2012	40,888	29,846	36,289	329	107,352
Accumulated depreciation:					
Balance as of 1 January 2011	2,571	5,297	1,724	-	9,592
Charge for the year	1,097	4,184	4,072	-	9,353
Disposals	(213)	(896)	(315)	-	(1,424)
Exchange differences	-	(29)	(14)	-	(43)
Retirements	-	(260)	(1,487)	-	(1,747)
Reclassifications	59	-	-	-	59
Balance as of 31 December 2011	3,514	8,296	3,980	-	15,790
Charge for the year	1,120	4,414	4,244	-	9,778
Disposals	-	(1,607)	(879)	-	(2,486)
Exchange differences	-	43	17	-	60
Retirements	-	(1,332)	(2,443)	-	(3,775)
Balance as of 31 December 2012	4,634	9,814	4,919	-	19,367
					-
Net book value as of 31 December 2012	36,254	20,032	31,370	329	87,985
Net book value as of 31 December 2011	21,191	20,033	11,479	48	52,751



5. Property, plant and equipment (cont'd)

Company	Vehicles	Other property, plant and equipment	Construction in progress	Total
Cost:				
Balance as of 1 January 2011	3,864	2,868	242	6,974
Additions	2,110	606	71	2,787
Disposals	(123)	(21)	-	(144)
Retirements	-	(214)	-	(214)
Reclassifications	-	-	(313)	(313)
Balance as of 31 December 2011	5,851	3,239	-	9,090
Additions	55	116	-	171
Disposals	(62)	(16)	-	(78)
Retirements	-	-	-	-
Reclassifications	(5,230)	(3,034)	-	(8,264)
Balance as of 31 December 2012	614	305	-	919
Accumulated depreciation:				
Balance as of 1 January 2011	2,274	1,700	-	3,974
Charge for the year	798	601	-	1,399
Disposals	(102)	(11)	-	(113)
Retirements	-	(214)	-	(214)
Balance as of 31 December 2011	2,970	2,076	-	5,046
Charge for the year	142	105	-	247
Disposals	(12)	(11)	-	(23)
Retirements	-	-	-	-
Reclassifications	(2,816)	(1,954)	-	(4,770)
Balance as of 31 December 2012	284	216	-	500
Net book value as of 31 December 2012	330	89	-	419
Net book value as of 31 December 2011	2,881	1,163	-	4,044

6. Investments to Subsidiaries

The Company's investments to subsidiaries movement from 31 December 2011 to 31 December 2012 is represented below:

Cost of investments at the beginning of the year	127,913
Increase of authorised share capital of UAB Baltijos NT valdymas	1,637
"City Service Poland" Sp. z o.o establishment	4
Transfer of Company's activities (note 3) to UAB Mano būstas LT	27,357
Cost of investments at the period end	156,911



7. Borrowings

Borrowings of the Group and the Company as of 31 December 2012 and 31 December 2011 were as follows:

Creditor	Currency of the loan	Amount of the loan (in currency of the loan)	Final repayment date	Group		Company	
				Balance as of 31 December 2012 (in LTL)	Balance as of 31 December 2011 (in LTL)	Balance as of 31 December 2012 (in LTL)	Balance as of 31 December 2011 (in LTL)
Current loans							
Swedbank, AB (overdraft)	EUR	1,448	17.08.2013	5,000	86	5,000	86
Swedbank, AB (overdraft)	LTL	5,000	17.08.2013	83	-	83	-
Swedbank, AB	LTL	12,775	10.06.2013	12,775	-	12,775	-
DNB bank, AB (UAB Ecoservice)	EUR	435	29.11.2013	927	770	-	-
AS UniCredit Bank (UAB Tvar.com)	LTL	350	15.02.2013	129	-	-	-
Group Account (eliminated in the consolidated group accounts)*	Unspecified	Unspecified	Unspecified	-	-	17,092	3,062
Current loan balance				18,914	856	34,950	3,148
Non-current loans							
Swedbank, AB	EUR	10,486	09.08.2015	18,417	25,533	18,417	25,533
Swedbank, AB	EUR	6,000	10.12.2017	20,717	-	20,717	-
AS UniCredit Bank (UAB Tvar.com)	EUR	309	15.01.2013	80	1,067	-	-
Less: current portion of non-current borrowings				(9,498)	(8,103)	(9,418)	(7,116)
Non-current loan balance				29,716	18,497	29,716	18,417

* Based overdraft facility agreement signed on 25 August 2008 with the Company, its subsidiaries operating in Lithuania and with Swedbank, AB, the Group can utilise net cash balances of the Company and its subsidiaries operating in Lithuania as inter-group borrowings.

For the loan and overdraft facility the Company and its subsidiaries have pledged to the bank real estate and bank accounts of the Company and its subsidiaries in Lithuania.

8. Cost of Sales

	Group		Company	
	2012	2011	2012	2011
Services of subcontractors and materials used	334,746	352,814	39,848	61,351
Wages and salaries and social security	68,749	68,100	2,502	22,074
Cost of goods sold	9,336	5,345	2	1,022
Depreciation	5,929	5,741	-	-
Other	4,827	2,595	-	-
Total cost of sales	423,587	434,595	42,352	84,447



9. General and Administrative Expenses

	Group		Company	
	2012	2011	2012	2011
Wages and salaries and social security	36,164	35,751	2,913	7,218
Allowance for and write-off of receivables	7,830	5,946	(841)	641
Allowance for long term receivables	4,233	-	-	-
Depreciation and amortisation	7,229	6,924	262	1,507
Consulting and similar expenses	3,539	3,173	2,556	1,374
Commissions for collection of payments	3,068	4,819	279	1,904
Rent of premises and other assets	2,934	3,324	440	1,149
Bonuses	2,420	800	2,421	800
Fuel expenses	1,520	1,410	85	220
Utilities	1,276	1,144	404	379
Transportation	1,165	1,204	48	172
Computer software maintenance	1,131	955	25	125
Advertising	1,062	1,524	365	905
Communication expenses	1,047	1,239	126	231
Taxes other than income tax	585	646	17	78
Business trips and training	786	863	349	571
Insurance	699	556	43	196
Representational costs	712	654	224	464
Bank payments	521	500	9	22
Charity and support	346	561	198	480
Consulting and tax expenses related with acquisitions in Poland	1,768	-	-	-
Other	6,209	3,890	809	1,443
Total general and administrative expenses	86,244	75,883	10,732	19,879

10. Related Party Transactions

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. The related parties of the Group and the Company and considered the following:

- UAB Lag&d – the ultimate shareholder of the Company since 2010;
- UAB ICOR - the shareholder of the Company;
- Subsidiaries of UAB ICOR (same ultimate controlling shareholder);
- Subsidiaries of AB City Service (for the list of the subsidiaries, see also Note 1);
- Mr. Ž. Lapinskas, J. Janukėnas, V. Turonis (Management of the Company).

Transactions with related parties include sales and purchases of goods and services in the ordinary course of business, and acquisitions and disposals of property, plant and equipment. Property, plant and equipment to related parties during the first half of 2012 was sold for the net book value.

The sales price for the intercompany subsidiary purchase and sale transactions are established by the management and shareholders of the UAB ICOR and/or UAB Lag&d and AB City Service considering the results of independent valuations, if any, undertaken for the purposes of the transfer pricing regulations – which may not always be at their fair value.

There are no guarantees or pledges given or received in respect of the related party payables and receivables. Related party receivables and payables are expected to be settled in cash or set-off against payables / receivables to / from a respective related party.



10. Related Party Transactions (cont'd)**2012**

Group	Purchases	Sales	Receivables and prepayments	Loans granted	Payables (long and short-term)
UAB ICOR	2,540	24	7	-	11,409
Subsidiaries of UAB ICOR:					
AB Axis Industries	2,329	886	2	-	796
Other subsidiaries of UAB ICOR	1,392	2,737	916	-	252
Management of the Company	-	-	-	204	-
Shareholders of the Company	-	-	25	-	-
Total	6,261	3,647	950	204	12,457

2012

Company	Purchases	Sales	Receivables and prepayments	Loans granted	Payables (long and short-term)
UAB ICOR	1,440	19	-	-	7,015
Subsidiaries of UAB ICOR:					
AB Axis Industries	906	677	-	-	239
Other subsidiaries of UAB ICOR	8	1,630	55	-	-
Subsidiaries of the Company	9,203	78,670	4,286	51,183	4,674
Management of the Company	-	11	-	204	-
Shareholders of the Company	-	-	25	-	-
Total	11,557	81,007	4,366	51,387	11,928

11. Subsequent Events

During January and February, 2013 the names of the subsidiaries of the Company which operate in Vilnius and Kaunas cities have been changed. Lazdynų būstas UAB, Sinsta UAB and Būsto administravimo agentūra UAB have been renamed respectively into Lazdynų butų ūkis UAB, Lazdynų būstas UAB and Nemuno būstas UAB.

